

Nacro➤



Annual Report

for the year ended 31 March 2024



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Who we are

We believe that everyone deserves a good education, a safe and secure place to live, the right to be heard, and the chance to start again, with support from someone on their side.

We provide practical help and personalised support through our education, housing, justice, and health and wellbeing services. We work closely with people to help them build independence and move forward to a better future. We're compassionate, strong, determined, and flexible. And we never give up on people.

But this isn't enough on its own. We need the barriers holding people back removed and the systems we all rely on improved to give everyone a fair chance. The voices of those most affected are often ignored, so we fight alongside them to be heard. We use the insights from our services and the experience of the people we support to campaign together for meaningful changes in society.

We are Nacro and we won't stop until everyone has the chance to succeed.



Our mission

We will work every day to give people the help they need and campaign to achieve our vision of a society where everyone has the chance to succeed.



Our vision

We want a society where everyone has the chance to succeed and the support they need to achieve their potential. Where a safe secure home, a decent education and a second chance when things go wrong are the foundations we can all build our lives on.



Our values

We are inspiring

We motivate and inspire people to reach their full potential and aspirations. We encourage people to think differently.

We are courageous

We have bold aims which we are determined to achieve. We seize opportunities and deliver results.

We are compassionate

We are focused on people, acting with compassion and supporting each other to succeed.

We are inclusive

We value the unique contribution of all our people, combining our strengths, and achieving more together.

We are reliable

We keep our promises. We provide consistent support and we stick with people.

Why our work is needed

The cost of living crisis continues to impact people across the country and we know that the poorest and most vulnerable members of society will experience the worst effects. This has potentially dire long-term consequences for many people who already do not get the help and support they need. And as inequality widens, economic and social needs in the UK are only likely to grow.

Income inequality continued to grow in Britain in 2022, and we continue to have lower social mobility rates than many other European and OECD countries. The poorest fifth of our society has only 8% of the total income, whereas the top fifth has 36%. Educational performance also varies significantly based on socioeconomic background. Against this background, it is clear that our work is needed more than ever before, to fight not only to stop these gaps widening further but to close the gaps and to create opportunity and hope for the people we support.

England and Wales have one of the highest rates of imprisonment in Western Europe, with almost 88,000 people held in prisons and young offender institutions in March 2024. It is projected that the prison population will grow substantially over the next few years, to between 94,600 and 114,800 by March 2028. Reoffending rates remain high, particularly for those sentenced to a prison term. Ministry of Justice reoffending data released in January 2024 showed that 36.8% of adults released from prison go on to reoffend within a year. For those who served a sentence of less than 12 months, this increases significantly to 55.5% and sits at 58.3% for sentences of six months or less.

Levels of homelessness are rising, with research from Shelter showing that at least 309,000 people were recorded as homeless in England in December 2023, including almost 140,000 children. This is an annual increase of 14%. And the number of people sleeping rough in England has more than doubled since 2010, with an estimated 3,898 people having slept rough in 2023, an annual increase of 27%.

We know that the best way to tackle homelessness is to stop it from happening in the first place. Where there are predictable routes into homelessness, like leaving prison, it is vital to ensure that everything possible is done to help people find and keep a home, with the support they need.

The mainstream education system continues to fail many young people whose specific needs are not being met. The most recent figures show that both permanent exclusions and suspensions from school continue to increase, and vulnerable groups of children are more likely to be excluded. Children who are eligible for free school meals are more than four times as likely to be suspended from school than those who do not receive free school meals, and five times more likely to be permanently excluded.

Children with special educational needs are up to five times more likely to be excluded from school. The impact on already vulnerable children of a disrupted education can be devastating, and the knock-on effect on adult life has wide-ranging and long-lasting consequences.

The people we work with are often at a point of change. Many have struggled; growing up in care; facing homelessness; failed by the education system; or caught up in the tide of the justice system. The challenges we face shape who we are, but our past shouldn't dictate our future.

We continue to do everything we can to offer support, stability, and guidance, enabling people to open doors that were previously closed to them. We know that with the right support and guidance, people can turn their lives around and move onto a future of success.



Message from the Chair

Despite the very tough environment we were operating in, I ended my introduction to last year's annual report on an optimistic note. I believed we were well placed to meet the challenges of the future, and we had the strategy, culture, and people to support the people who used our services in making real changes for the better of their lives.

So it has proved. It has indeed been another very challenging year, but as this report shows, we have been able to improve the quality and scale of our services while stabilising our financial position.

I do not want that broadly positive picture of the organisation to detract from an understanding of how difficult things were for the people who used our services last year.

I try to meet as many of the people we support as I can, and of course, they all have a wide range of different needs: young people who have been struggling at school or who have left care; veterans still traumatised by their experiences; those finding relief in drugs and alcohol; men leaving prison without anywhere to stay. But what they all have in common is a truly shocking level of poverty, both in absolute financial terms and poverty of the most basic services they could surely expect to support them: a safe place to live, mental health support, a place at school or college, functioning probation, and social services.

The work our staff does in these circumstances is truly extraordinary. For part of the year, I acted as the Board's safeguarding lead. This required me to understand in detail some of the risks and vulnerabilities our service users faced - young people, for instance, whose lack of resources and other vulnerabilities potentially made them easy prey to 'county lines' (the drug trafficking networks that exploit young people as carriers). I saw how our staff were continually vigilant and worked with skill and dedication to pull together a picture that identified a young person at risk and then galvanised sometimes reluctant agencies to work together to keep the young people safe.

Our staff have faced their own economic pressures, and they too have sometimes struggled because they could not access the services they needed. We have worked hard to improve the way Nacro's own systems and organisation supports them. We have a lot more to do to get this right but we are making progress, and I am extremely grateful to all our staff for their service and commitment.



It has been important to use the experience of the people we support and our staff to influence the national and local policies that impact them, and we have had some real success with this, ending the Friday release of prisoners, for instance, which made it even more difficult for them to access the services they need. These successes have been based on good, constructive relationships. We have been fortunate in the support we have had from our organisational partners and funders. We recognise the pressures they are under, but we have been able to find common ground with the Ministry of Justice, other national government departments and agencies, health services, and local authorities to make the best use of resources to support some of the most vulnerable people they are responsible for.

Nacro is a complex organisation, and pulling all this together and providing the leadership the organisation needs is no easy task. Once again, I thank Nacro's Board and senior management team for the leadership they provide. Board members are unpaid, and I recognise the heavy responsibilities they carry. Katie Martin resigned from the Board during the year, and I want to record my thanks to her. We were joined by five new Board members: Mian Langellier, Philippa Oldmeadow, Felicity Oswald, Melanie Walker and Maneer Asfar, and they joined a strong team of established Board members. I look forward to working with them all. We have many challenges ahead, but I believe we can face them with confidence.

Nick Hardwick
Chair

Message from the CEO

Being the Chief Executive of Nacro is a privilege and a constant reminder of the difference that good people can make. 2023/24 was a very difficult year in many ways, but no more so than for the thousands of people we help every year.

In all of the areas we work there were even greater challenges for people to keep their head above water, let alone get ahead and get on. The housing crisis worsened, prisons were even more full, local authorities went bankrupt, social services stretched further, and the need for special educational support grew.

Through all of this, our staff are the point of calm, the reliable presence, the helping hand, the kind words and good advice, and the push to take on the next challenge. Every day in so many ways they keep hope alive, even when it is at its most challenging.

We have tried our best to provide our staff with the support they need. Despite the very real financial challenges we face we are investing in pay, in ICT, in new buildings and learning and development. We have tried to include them and involve them in the difficult choices we need to make, through our excellent EDI committee or our positive and constructive relationship with Unite, our recognised trade union.

We have put the people we support at the heart of the organisation, our Justice ExChange has been driving our policy and campaigning work, they came to our Board and told them what they wanted to see Nacro do.

We have built real and genuine partnerships across all sectors, whether with the many brilliant businesses that support our education centres, the charities working to deliver outstanding services or our commissioners such as the Ministry of Justice or Lincolnshire Council who work with us to adapt and change to the needs of the people we support.

I know that 2024/25 will be just as hard, or harder, but I also know that with the colleagues and board members we have we are set for the challenge.

Campbell Robb
Chief Executive Officer



Board members and professional advisers

Trustees

Nick Hardwick CBE,
Chair

Anne Frost, Vice Chair

Maneer Afsar
(appointed 27
September 2023)

Andrew Billany

Amanda Dickens

Lynn Emslie

Rt Hon Sir David
Hanson

Tabitha Kassem

Mian Langellier
(appointed 27
September 2023)

Farrah Malik

Katie Martin (resigned
26 September 2023)

Philippa Oldmeadow
(appointed 20 March
2024)

Felicity Oswald
(appointed 27
September 2023)

Neil Spence

Melanie Walker
(appointed 27
September 2023)

Treasurer

Neil Spence

Chief Executive Officer

Campbell Robb

Company Secretary

Andrew Hodges

Registered Office

Walkden House
16-17 Devonshire Square
London EC2M 4SQ

Charity number

226171

Regulator of Social Housing number

4781

Company number

00203583

Bankers

National Westminster
Bank Plc
Cavell House
PO Box 113
2A Charing Cross Road
London WC2H 0PD

External Auditors

Crowe U.K. LLP
2nd Floor
55 Ludgate Hill
London EC4M 7JW

Internal Auditors

BDO LLP
Two Snowhill,
Birmingham B4 6GA

Solicitors

Devonshires Solicitors
LLP
30 Finsbury Circus
London EC2M 7DT

Pension consultants

XPS Pensions Group
Phoenix House
1 Station Hill
Reading RG1 1NB

Information correct at
19 July 2024.

Trustee Attendance Record 2023/24

	1	2	3	4	5	6	7
Nick Hardwick CBE	4 of 4	–	–	–	3 of 3	–	–
Anne Frost	4 of 4	0 of 1	–	3 of 3	–	3 of 3	–
Maneer Afsar ¹	2 of 3	–	–	–	–	–	–
Andrew Billany	3 of 4	1 of 1	–	–	–	–	2 of 3
Amanda Dickens	4 of 4	–	–	3 of 3	–	–	–
Lynn Emslie	4 of 4	1 of 1	–	–	–	2 of 3	–
Rt Hon Sir David Hanson	4 of 4	–	1 of 1	–	3 of 3	–	2 of 3
Tabitha Kassem	3 of 4	1 of 1	–	3 of 3	–	–	3 of 3
Mian Langellier ¹	2 of 3	–	–	–	–	–	2 of 3
Farrah Malik	4 of 4	–	3 of 4	–	–	–	–
Katie Martin ²	0 of 1	–	–	–	0 of 1	–	–
Philippa Oldmeadow ³	1 of 1	–	–	–	–	–	–
Felicity Oswald ¹	3 of 3	–	1 of 3	–	–	–	2 of 3
Neil Spence	4 of 4	–	4 of 4	–	–	–	–
Melanie Walker ¹	1 of 3	–	2 of 3	–	0 of 2	–	–

1 Board

2 Strategy & Performance Committee*

3 Finance & Audit Committee/Finance, Risk & Audit Committee*

4 People Committee

5 Policy & Campaigns Committee

6 Education Committee/Education Scrutiny Group*

7 Housing & Criminal Justice Committee*

¹ Appointed September 2023

² Resigned September 2023

³ Appointed March 2024

*In September 2023 new committee structures were agreed which included:

- disbanding Strategy & Performance Committee
- Finance & Audit Committee being renamed to Finance, Risk and Audit Committee
- creating a new Housing & Criminal Justice Committee (formerly Housing Group) and a new Education Committee (formerly Education Scrutiny Group)

Our services

At Nacro, we are dedicated to continuous improvement and achieving even better outcomes for the people we support. We are proud to provide a variety of services from housing and education to rehabilitation and health and wellbeing support. Our commitment to positive change is reflected in the success stories of individuals and communities who have benefited from our services. The pages that follow highlight the range of services we run with each one making a real difference to people's lives.

What we do

The people we work with are often at a point of change. Many have struggled; growing up in care; facing homelessness; failed by the education system or caught up in the tide of the justice system. The challenges we face shape who we are, but our past shouldn't dictate our future.

People we support through our services:

- Young people
- Care leavers
- People with substance misuse issues
- Homeless
- People with mental health challenges
- People in the justice system
- Ex service personnel



Justice

Our justice services aim to break the cycle of crime and disadvantage through rehabilitation. We believe the criminal justice system should be a starting point for building better futures, not a dead end. Partnering with agencies, we work to reduce reoffending and operate in over 40 prisons and six probation regions across England and Wales, with over 50 years of experience.

Our justice services include:

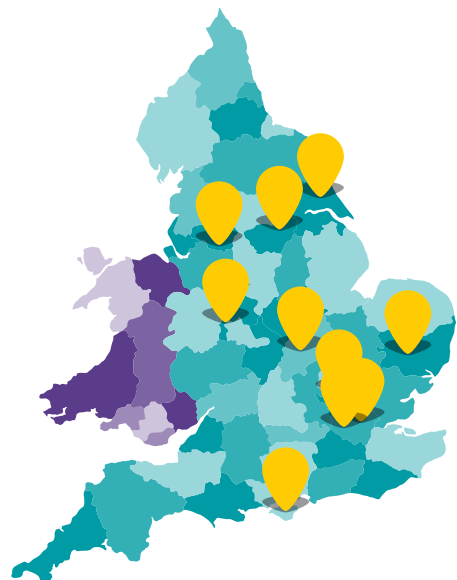
- Criminal Record Support Service
- Accommodation support for people (on probation or in prison)
- Personal wellbeing support for people (on probation or in prison)
- Finance, benefit, and debt support for people (on probation or in prison)
- Intensive health resettlement
- Prison Departure Lounge
- Liaison and Diversion with other agencies
- Support for ex-service personnel

Health and Wellbeing

We support individuals with complex needs, including mental health issues, substance misuse, and personal challenges. Our tailored support helps people move forward, recognising that recovery is not always straightforward. We never give up on those we serve.

Our health and wellbeing services include:

- Community-based substance misuse services
- Intensive health resettlement (including dual diagnosis for people leaving prison)
- Liaison and Diversion (working with individuals with mental health needs in police custody suites)



Housing

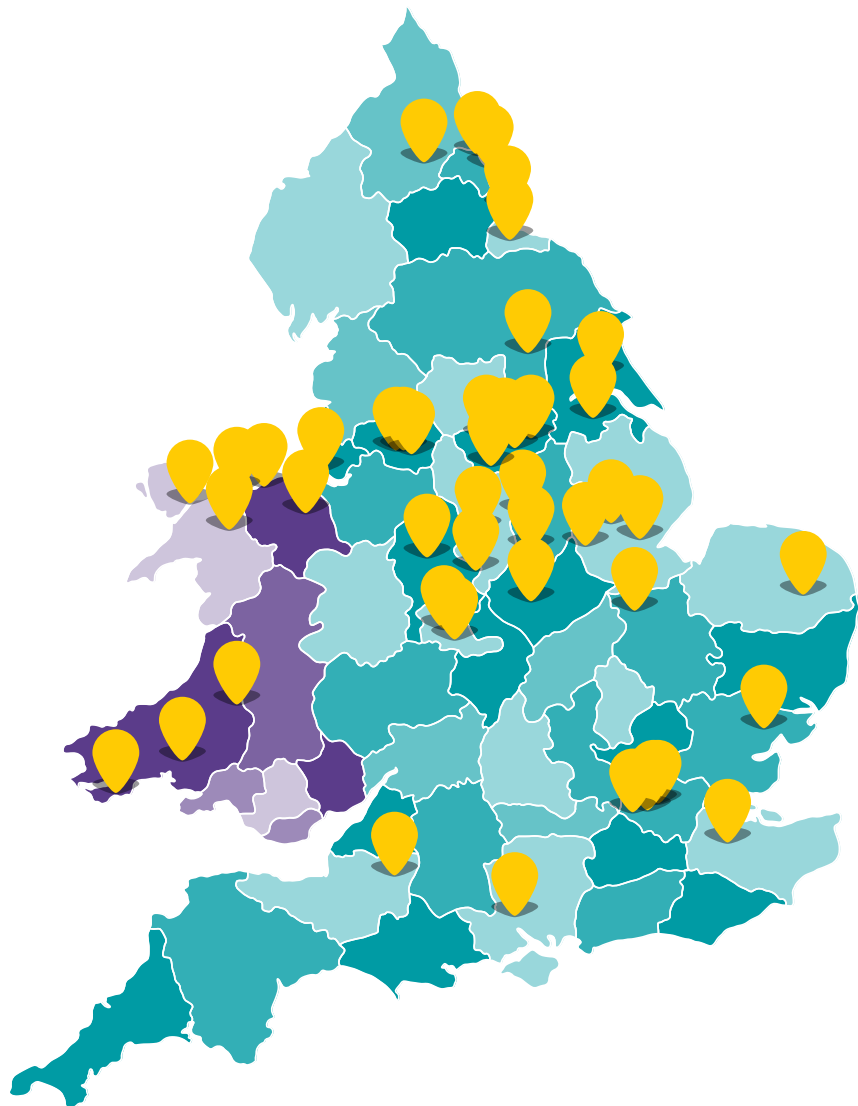
We believe everyone deserves a safe and secure home, the foundation for building better lives. We provide supported housing and floating support services across England and Wales, partnering with individuals and agencies to promote independence. Our extensive experience includes supporting marginalised individuals and those with complex needs.

Tailored housing services for:

- People coming out of prison
- Young people and care leavers
- Women
- Ex-service personnel
- People at risk of homelessness

Our housing services include:

- Commissioned services
- Step Forward Housing
- Community Accommodation Service Tier 2 (CAS-2)

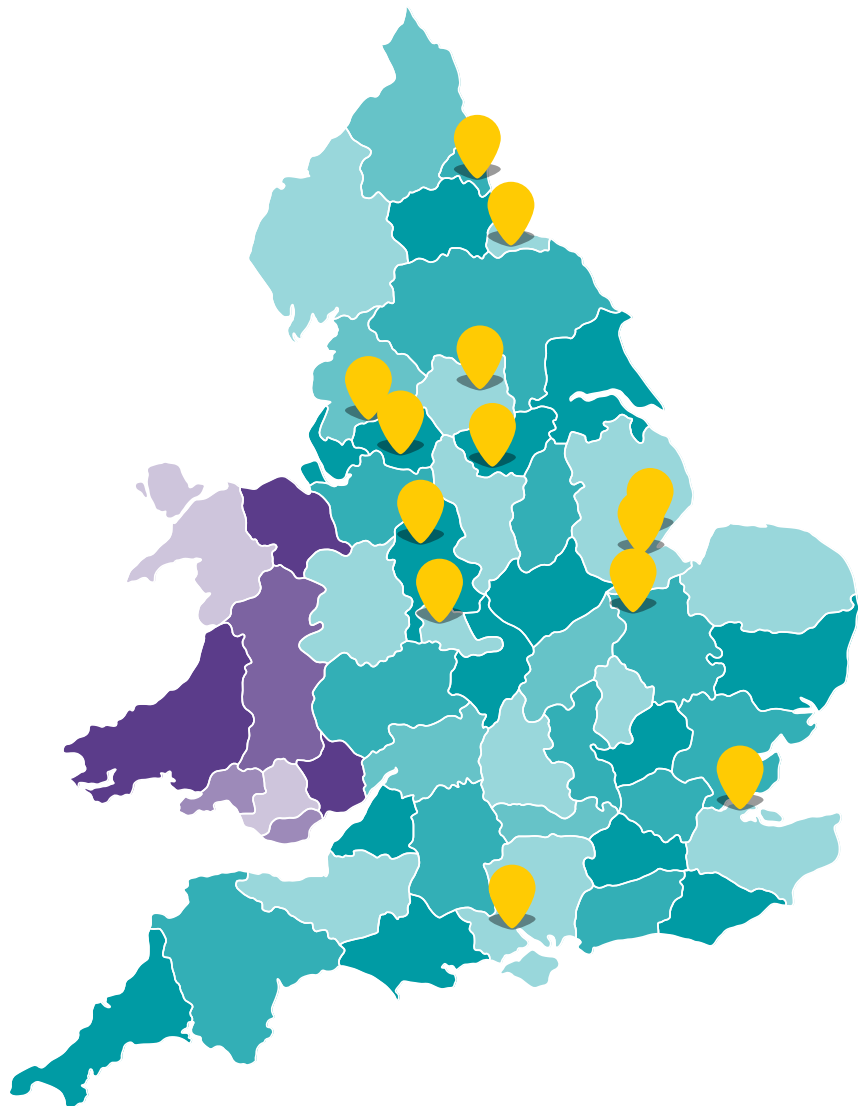


Education

At Nacro Education, we help individuals realise their potential through skills, knowledge, and experience. Our Get Set! Courses offer personalised learning approaches. We operate 12 education centres across England and provide education in prisons and secure training centres. We also provide outside learning for schools, colleges, the voluntary sector, the community, and local authorities.

Nacro Education Centres:

- | | | |
|-----------|-----------------|--|
| > Bolton | > Middlesbrough | > Walsall |
| > Boston | > Newcastle | > Totton College |
| > Chatham | > Peterborough | > Greater Manchester
Outdoor Learning |
| > Leeds | > Sheffield | |
| > Longton | > Spalding | |



Strategic review of the year 2023/24

1. We will increase the positive impact we have on the people we support.

We have continued delivering and developing our work in our core areas, responding to the needs of the people we support:

- A number of our services have expanded over the last year:
 - Our Recovery Near You service in Wolverhampton has expanded in various areas including basing alcohol nurses in GP surgeries; embedding an assistant psychologist to develop a culture of trauma-informed practice; and further development of our women and maternity pathway.
 - Our London rough sleepers service funded by the GLA has expanded to house more people in need.
 - Our Accommodation for Ex-Offenders scheme in Stoke has increased the level of accommodation and support it provides.
- We continue to deliver our existing services in an ever more challenging environment, including:
 - Our NEST young people's services which provide supported housing for young people, including care leavers, who would otherwise be homeless or at risk of homelessness.
 - Rehabilitative services through personal wellbeing and accommodation advice and support services to over 9,000 people on probation.
 - Our CAS-2 service providing accommodation and support to people across England and Wales on bail or released from prison on licence to help them move onto independent crime-free lives.
- Our education services continue to support young people to achieve their potential:
 - 91% of our students pass their GCSE in maths and English.
 - 96% of young people pass the technical or vocational qualification that they are working towards with us.
 - 91% of students report that their confidence has improved as a result of learning with us.
 - 91% of students report that they have been supported to identify and make progress towards their next steps.
 - We are proud that there are no achievement gaps in our provision on the basis of gender, ethnicity or disability.

2. We will campaign alongside our service users for solutions to the barriers and challenges they face.

- Following our successful campaign to end Friday prison releases, Parliament passed legislation meaning that people leaving prison are no longer set up to fail by being released on a Friday, without access to services over the weekend.
- We continued our focus on removing the barriers to learning for 16-19 years olds in our Learn without Limits campaign, hosting a joint event alongside the Princes Trust with the Minister for Skills & Apprenticeships.
- We started a project with young people across our education and housing services to listen to their challenges and hopes for the future with the aim of influencing local and national priorities.
- Our Justice ExChange, a network of people who have been in touch with the criminal justice system and received support from Nacro, has been central to shaping our justice influencing priorities. Following the publication of a briefing on work and wages in prison last year, we worked together to develop a new campaign, 'Wasting Time', calling for action on a real working day in prison, increased use of release on temporary licence, and fairer wages and reward. We jointly produced a new film highlighting the challenges of work in prison.
- We published a further briefing with the Justice ExChange highlighting the level of mental health need in prison, the impact of the prison environment on mental health, the support available, and what we believe could make a difference.
- We published the final report from our research project looking at the barriers to identification and take up of support by ex-service personnel in the justice system. Funded by Forces in Mind Trust and delivered in partnership with the University of Northampton, we launched the report at a stakeholder event in Birmingham and continue to work to take forward the findings and recommendations.



3. We will develop into a digitally inclusive organisation where our staff and service users have access to the advantages that digital technology can bring.

With the additional pressures the challenging external environment has brought, we took a strategic decision last year to focus on this objective at a later point in the strategy period. As these external pressures continued this year, we focused our resources on supporting significant internal digital transformation in our ICT infrastructure.

- We have moved our ICT infrastructure to a new data centre and built a new remote access Citrix environment to help provide much more effective access to our internal systems.
- We have installed a brand-new Wi-Fi network in all our Education Centres as well as a number of our larger housing offices and service sites. The new Wi-Fi circuits at Education centres provide better access to online learning environments for students. We have continued to install tenant Wi-Fi facilities in our CAS-2 properties and some of our other housing properties.
- We have replaced hundreds of laptops with more up-to-date versions, issued hundreds of new mobile phones, and replaced printers in Education centres and larger housing sites.
- We retained our ISO27001 accreditation for effective information security systems.

4. We will build a sustainable future for Nacro.

- We have developed and delivered against our environmental strategy and achieved Level 3 of the Green Dragon environmental accreditation.
- The challenging external financial environment continues to impact on Nacro like all charities. However, we are pleased to have delivered financial performance that is within budget, and we are planning a breakeven budget for the 2024/25 financial year.
- We continued to prioritise investment in our colleagues ensuring that pay scales were all uplifted as a result of the increase in the national living wage.
- We have continued to build on our leadership development programmes and facilitated more collaborative working.
- We have invested in our ICT infrastructure to create a modern platform that is able to flex with changes within the charity and support the application of more collaborative working tools in the future.
- We have continued to develop our assurance frameworks and responded to new regulatory requirements from the Housing Regulator and Ofsted.

5. We will forge a values-led culture that supports a happy, productive and diverse workforce.

- With colleagues under sustained financial pressures, and the complexity and intensity of the needs of our service users, we have continued to enhance support for wellbeing through our Mental Health First Aider network, training for 'critical incident' debrief facilitators, and a focus on increased frequency of supervisions and performance and development conversations.
- We have continued work to ensure that Nacro is an inclusive organisation to work for, and can attract, retain, and develop a diverse workforce through our EDI strategy. A number of employee-led diversity action groups are active, providing both allyship and voice for people who may feel in a minority within Nacro, and starting to drive real change in our policies and practices.
- We strengthened the performance and development planning process, yielding a significant improvement in the responses on our annual staff survey regarding employees receiving regular feedback, clear expectations and the opportunity to discuss their development opportunities with their manager.
- Like many charities, we continue to face challenges in recruiting and retaining staff within a tight labour market during a cost-of-living crisis. A new Director of People and Culture was appointed, with a particular focus on assessing the root causes of these challenges and helping us to find the right creative solutions.



Safeguarding

Nacro continues its commitment to embedding robust safeguarding governance and processes across the organisation. Our National Safeguarding Board meets quarterly to ensure an effective governance framework is in place by reviewing safeguarding data from our incident management system and reflecting on lessons learned from safeguarding incidents that have been reported. The National Safeguarding Board reports to the Board of Trustees. A nominated Trustee and a member of the Executive Leadership Team are standing members of the National Safeguarding Board.

Each service delivery directorate has an appointed Designated Safeguarding Lead. These roles support colleagues to ensure quality safeguarding interventions and outcomes are provided through local teams. Designated Safeguarding Leads are supported via a network of locally based Designated Safeguarding Officers.

Nacro has a robust recruitment and vetting process, which ensures all staff working for Nacro complete all safeguarding background checks relevant to their role. All staff undertake an Introduction to Safeguarding online course and depending on an individual's role further training on Safeguarding Children and Young People, and/or Safeguarding Adults at Risk is undertaken. Further safeguarding training is also provided where required, based on staff training needs analysis.

A suite of policies and procedures are implemented across Nacro directorates, to ensure key safeguarding processes such as professional curiosity, reporting and responding to incidents, and staff support are communicated with Nacro colleagues and service users effectively. These policies and procedures are reviewed at least annually, and more often throughout the year in response to external regulatory changes, organisational changes, or process improvement opportunities.

Nacro organises an annual 'Safeguarding Week' event to highlight the most relevant topics and themes with staff, while also providing an opportunity to engage with service users to ensure continuous improvement of Nacro's safeguarding processes and approach.

A centralised management system is in place to record all Nacro related safeguarding incidents. The system is used to track and follow up actions required after an incident has been reported. The National Safeguarding Board maintains oversight of data held on the incident management system. The National Safeguarding Board is responsible for applying learning from incidents that have occurred to continually improve Nacro's safeguarding training, procedures, and practice.

What our people have to say

“When I arrive for work, I can normally say hello, good morning to around 20 people before I reach my desk. We are great at pulling together and getting the job done. We have good working relationships with our students, we invest lots of time into them, get to know them, are proud of them in all their achievements. We keep them safe and as an organisation we really are trying to make improvements everywhere.

“I enjoy the feeling at the end of each day, of doing something that is of value and worthwhile to both myself, my colleagues, and the students.

“Nacro is a very open employer. Senior management are easy to reach out to.

“I enjoy the challenge. The job is very rewarding.

“Nacro makes me feel like I am working towards a goal and making a difference.

“I enjoy working at Nacro as I like the supportive work environment. I feel respected and valued for what I bring to the team and Nacro.

“The best thing about working here are the staff and the service users.

“Nacro has a wealth of fantastic, hardworking committed people who go the extra mile on a daily basis to support service users and colleagues.

“I feel very joyful doing my job. I am happy when our tenants are making progress.

“I have worked for Nacro for nearly 5 years and have thoroughly enjoyed my time here. I started in 2019 as a volunteer and I have worked my way up the ladder to a service lead level. One of the great things about working for Nacro is that there's opportunity to progress, and line managers support you progressing.

Housing performance

We take our responsibilities as landlords seriously. Below, we set out our performance across a range of measures, including property health and safety compliance, repairs, and feedback on tenant satisfaction.

We are required to comply with regulations and monitor our performance against them. We also set our own performance measures and commit to sharing them openly.

In addition, in 2023/24, we have:

- Continued to review fire and gas safety policies, ensuring more robust processes are in place and meeting new requirements in legislation.
- Further increased resources in our compliance team to maintain a good level of performance and to support the development of improved centralised monitoring systems for compliance.

	Target	31.03.24
Gas safety	100% properties with a valid gas safety certificate	98.9%
Electrical services	100% properties with a fixed wire electrical safety certificate (EICR) within the past 5 years	99.2%
Water services	100% properties with water tank facilities have a current and valid Legionella risk assessment	100%
Fire Risk Assessment	100% properties have a fire safety risk assessment carried out in the last 24 months for our larger shared properties - 2 beds and above and blocks of flats. (This is beyond the legal minimum which does not specify a frequency)	100%
Asbestos	100% properties which may have asbestos have had an asbestos survey	100%

Repairs*

Overall, we completed 93.2% of 5,515 repairs within the target time.

	Target	April 2023 – March 2024
Emergency repairs	95% within 24 hours	94.8%
Urgent repairs	90% within 7 days	92.3%
Routine repairs	90% within 28 days	94.8%

*This repairs performance data does not currently include data from our Ministry of Justice CAS-2 contract.

Maintenance Budget

In the financial year, the expenditure on maintenance was £4.38m. The budget set for the year was £4.15m.

Following significantly increased construction material and labour costs in 2023/24, we increased our maintenance budget to help ensure we could meet our obligations to provide safe and secure homes for our residents.

Tenant satisfaction

From April 2024, the Regulator of Social Housing requires all registered providers to collect and report on Tenant Satisfaction Measures.

We collect the 22 Tenant Satisfaction Measures in two forms: 12 perception survey questions and 10 pieces of management information.

Survey

We undertook our tenant satisfaction survey throughout the winter of 2023. All housing tenants were contacted by phone, online and via post. The full results of our Tenant Satisfaction Measures will be published on our website in Summer 2024. A summary of the results is below.

Results

- Three quarters (75%) of tenants were satisfied with the overall service from us.
- Of those who had a repair in the last 12 months, more than 8 in 10 (82%) tenants were satisfied with the repair service and the time it took to complete the repair (83%).
- Nearly 8 in 10 (79%) agreed that Nacro treated them fairly and with respect.
- Over three quarters (77%) of tenants were satisfied that their home was safe and 75% said their home was well maintained.
- 7 in 10 (70%) tenants were satisfied that Nacro listened to their views and acted on them.
- Nearly 7 in 10 (69%) were satisfied with Nacro's approach to anti-social behaviour.

Complaints

We know how important it is to listen to feedback and are committed to responding promptly and efficiently where we receive complaints. The table below gives a breakdown of the complaints reported by tenants between 1 April 2023 to 31 March 2024.

Tenant complaints	56
Property condition – includes: Quality of repairs Quality of furniture Timeliness of repairs	15
Service received – Staff behaviour	12
Service received – includes: Tenure management Rent management Support received	29

We routinely review complaint responses and timeframes and are working to improve the pace of successful responses.

Throughout the year, we have responded to complaints from non-tenants, such as our neighbours or members of the public. The table above does not include this data.

Overall, complaints were dealt with adequately with complainants either satisfied with the way their complaint had been dealt with or complaints not escalated to the next stage. However, there were areas and opportunities for services to learn and ensure continuous improvements are put in place. We identify areas of improvement from the complaint information and set out actions as a result. Senior management receive a quarterly report on complaints and actions taken.

We completed the updated self-assessment against the [Housing Ombudsman's Code of Practice](#). This is published and available on our [website](#).

During the year Philippa Oldmeadow was appointed as the Trustee with lead responsibility for complaints.

Engagement with tenants

Our website features a dedicated section for tenants and service users, where we publish performance information, complaints, and self-assessment against the [Housing Ombudsman's Code of Practice](#). We continue to consult with tenants on how we can improve our delivery and we are consulting on how they would like to receive information from us. This includes what they would like to see in the tenant section of our [website](#).



Good Governance

Nacro's Board of Trustees is the governing board for the Charity. The Board is responsible for the effective strategic leadership and governance of the organisation while day-to-day management is delegated to the Executive Leadership Team (ELT).

Nacro is a registered Charity. In 2022, Trustees adopted the Charity Code of Governance to help Trustees set and maintain high standards of governance. To support continuous improvement, the Board reviews compliance against this code annually. The latest review identified the Board were complaint in almost every area; however, it has been identified that feedback from the review of complaints could be improved and that there could be more focused discussions about equality, diversity, and inclusion metrics at the Board. Plans to embed improvements in these areas are being implemented. The Board has used the code's principles and recommended practices to assist in the setting of the strategic direction and culture of the organisation for the Charity to deliver on its charitable objectives.

Risk management continues to be a priority, with Board members routinely considering and discussing the Corporate Risk Register at Board meetings as well as its five primary reporting Committees: the Finance, Risk and Audit Committee, Housing and Criminal Justice Committee, Education Committee, People Committee, and Policy and Campaigns Committee. Nacro's committee structure was revised during the 2023/24 financial year. The revisions included the creation of the Housing and Criminal Justice Committee, establishing formal Committee status for the Education Committee, and the disbanding of the Strategy and Performance Committee. The terms of reference for each Committee have been reviewed and the terms of reference for the Housing and Criminal Justice Committee and the Finance, Risk and Audit Committee have been updated to include items previously covered within the Strategy and Performance Committee. The National Safeguarding Board now reports directly to the Board.

The Committee structure has been designed to enable more detailed scrutiny in specific areas to provide the Board with assurance that charitable objectives are being met. BDO LLP, our internal auditors, have increased the Finance, Risk and Audit Committee's focus on strategic risk issues and highlighted key areas where assurance improvements can be made. Trustee Liability Insurance for individual Trustees and the Board of Trustees collectively is in place.

Reflecting the size and complexity of our organisation, it is appropriate for Nacro's activities to be subject to independent review and challenge, specifically through the work of an internal audit function. BDO LLP has provided internal audit services to Nacro following an annually agreed Internal Audit Charter and Internal Audit Plan. The internal control framework and risk management processes are subject to regular review by Internal Audit which is responsible for providing independent assurance to the Board via the Finance, Risk and Audit Committee. The Committee reviews the Internal Audit Plan at least annually and considers whether it is aligned with the key risks of the organisation, providing the Committee with sufficient assurance for it to discharge its responsibilities. The Finance, Risk and Audit Committee is responsible for ensuring the scope of internal audit work is appropriate and that findings are considered and actioned appropriately. This Committee receives regular updates from internal audits throughout the year on the status of work and the findings arising, other Committees are invited to consider specific internal audit report findings, appropriate to their terms of reference.

In 2023/24 Nacro continued to prioritise our service user involvement work. The team is focused on delivering the key priorities of our service user involvement strategy. Nacro is committed to promoting equality of opportunities for everyone throughout the Charity from recruitment and selection, training and development, appraisal, and promotion to retirement. Nacro's Disability Risk Assessment and Reasonable Adjustments Policy sets out how the Charity meets its commitments to disabled people as part of their recruitment, employment, retention, training and career development journey with us.

A full list of Trustee appointments, resignations, and attendance can be found on pages 11 and 12.

Nacro is opposed to all forms of modern slavery and is committed to acting ethically and with integrity in all its business relationships. We take steps to ensure that adequate processes and controls are in place to ensure slavery and human trafficking are not taking place anywhere in our supply chains. Nacro's modern slavery statement is published on our website and annually reviewed by the People Committee.

Nacro joins with others in its condemnation of the invasion of Ukraine. Nacro does not have any known links to Russia or Belarus and does not have any direct suppliers with known links to Russia or Belarus.

Section 172 Statement

Nacro exists to provide public benefit directly and indirectly to the organisation's beneficiaries. The prime aims of the organisation are captured in our vision, mission, and values statements.

When setting strategy and making decisions Trustees (Directors) will carefully consider the impact these decisions have on Nacro's beneficiaries and employees.

Employee engagement is encouraged through our effective consultative processes established with Unite the Union.

A high proportion of Nacro's income is generated through contracted services. The acquisition and renewal of these contracts is reliant on our maintaining effective customer relationships, as well as continuous innovation in our service design. We endeavour to bring maximum impact and benefit to the people we work with.

All of Nacro's work is community facing and we work hard to ensure the impact of our activities have a positive impact on the communities we reach out to. Data on the environmental impact of our activities is captured on pages 44 and 45 of this report.

The activities of Nacro are regulated via the Regulator of Social Housing, Ofsted, and indirectly via the Care Quality Commission. These regulatory bodies require the organisation to establish robust governance frameworks that can be subject to external assessment and publicly rated performance levels.

Nacro has a wide range of suppliers, we have established contracts and clear contract management arrangements in place with our largest suppliers and all of our sub-contractors to help ensure our main suppliers have appropriate governance and legal compliance measures in place.

Nacro is aware of the impact of climate change and global warming and we are committed to playing our part. We have achieved Green Dragon Level 3 certification, have an environmental strategy, and are starting several work streams over the next few years to use technology, design, and innovation to make our business practices more sustainable, engaging with our stakeholders and commissioners of services.

Trustees' responsibilities

The Trustees (who are also the Directors of Nacro for the purposes of company law) are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards).

Company law requires the Trustees to prepare financial statements for each financial year. Under company law, the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of Nacro and of the incoming resources and application of resources, including the income and expenditure, of Nacro for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently; observe the methods and principles in the applicable SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain Nacro's transactions, disclose with reasonable accuracy at any time the financial position of Nacro and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and the Accounting Direction for Private Registered Providers of Social Housing 2022. They are also responsible for safeguarding the assets of Nacro and ensuring that accounts are prepared in a proper form and present a true and fair view of the state of affairs in relation to Nacro's social housing activities and the disposition of funds and assets which are, or have been, in Nacro's hands in connection with those activities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on Nacro's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Going concern - The Trustees consider that Nacro is well positioned to manage its business risks successfully. After careful consideration and enquiry, the Trustees have a reasonable expectation that Nacro has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Trustees continue to adopt the going concern basis in preparing these financial statements.

The Board obtains assurance of financial viability through the annual budgeting, re-forecasting and longer-term financial planning exercises. As part of this, Trustees assess and stress test the availability of funding and liquidity. Nacro does not have lenders' covenants to comply with. These processes ensure the Board has a continual and rolling process of reviewing and assessing Nacro's financial strength and viability. The Board has satisfied itself that the charity complies with the Regulator of Social Housing's Governance and Financial Viability Standard during the financial year.

Public benefit - The Trustees confirm that they have complied with their duty under section 17 of the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit.

Disclosure of information to the auditor - Each Trustee at the date of approval of this report has confirmed that as far as the Trustees are aware, there is no relevant audit information of which Nacro's auditor is unaware. The Trustees have taken all necessary steps to make themselves aware of any relevant audit information and to establish that Nacro's auditor is aware of that information.

Statement of internal control

The Nacro Board of Trustees has overall responsibility for establishing and maintaining the system of internal control and for reviewing its effectiveness. In meeting its responsibilities, the Board has adopted a risk-based approach to internal control, which is embedded within the normal management and governance processes and includes staff at all levels. This approach includes the regular evaluation of the nature and extent of risks to which Nacro is exposed. The process adopted by the Board in reviewing the effectiveness of the system of internal control comprises:

1. Identification and evaluation of key risks

Nacro has a formal risk management process to identify, assess, and mitigate business risks while implementing risk-based strategies. The risk register is aligned with the corporate plan and identifies the risks around achieving the objectives of the organisation. This involves identifying the types of risks that Nacro faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying mitigating actions. This process is coordinated through a regular reporting framework by the Executive Leadership Team (ELT) and the Finance, Risk and Audit Committee. The Finance, Risk and Audit Committee regularly considers reports on significant risks facing Nacro, and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks. The Board confirms that there is a process for identifying, evaluating, and managing significant risks faced by Nacro, including new and emerging risks. This process has been in place throughout the year and up to the signing of the annual report and is reviewed regularly by the Board.

2. Monitoring and corrective action

The regular review of internal controls via line management channels and by way of Nacro's internal audit plan assures the Finance, Risk and Audit Committee and the Board that an effective control environment is maintained. Where corrective action is required, ELT provides progress reports to the Finance, Risk and Audit Committee to ensure there is effective oversight, particularly if the issues identified have a material impact on the financial statements.

3. Control environment and control procedures

The Board retains responsibility for a defined range of risks covering strategic, operational, financial, and compliance areas. Specific attention is paid to risk mitigations relating to delegated authority, segregation of duties, accounting and treasury management controls, regulatory and legislative compliance, EDI, health and safety, safeguarding, data and asset protection, resourcing, and the prevention and detection of fraud. The Board, through the scheme of delegated responsibility, sets out a framework of control

that applies to all Nacro employees. The scheme of delegated authorities is supported by a suite of policies that define expectations around quality, integrity and ethics. All employees, volunteers, and suppliers must comply as required with these policies.

4. Independent audit and review

The internal control framework and risk management processes are subject to regular review by an internal audit function which is responsible for providing independent assurance to the Board. Nacro appointed BDO LLP to supply an independent and objective internal audit function. The Finance, Risk and Audit Committee ensures that the risk-based inspection/monitoring plan remains up-to-date, reviewing all internal audit reports and ensuring any recommendations identified within internal audit reports are effectively implemented. The Board has received an annual review of the system of control from the Finance, Risk and Audit Committee and has taken into account any changes needed to maintain the effectiveness of the risk management and control process.

5. Fraud reporting systems

Fraud response procedures and policy statements are reviewed and approved by the Board, via the Finance, Risk and Audit Committee, as part of a comprehensive review of internal control systems. The procedures establish the respective roles and responsibilities of staff for the prevention and detection of fraud through a fraud and anti-money laundering policy.



Key risks

Key risk	Risk treatment
<p>Cashflow and margins are not sufficient to meet day-to-day operating costs and/or balance sheet liabilities leading to the Charity falling into financial administration.</p>	<p>Financial performance is monitored through monthly management accounts by management and Trustees.</p> <p>Regular communication with commissioners regarding the security of current income streams.</p> <p>Building closer relationships with potential funders and developing new funding models.</p> <p>A Value for Money programme is in place which includes initiatives to reduce operating costs.</p> <p>Strategic and business planning in place and monitoring of progress against key corporate objectives.</p> <p>A formal agreement is in place with the Trustee of the closed defined pension scheme that sets the value of the deficit reduction payments until 31.03.26.</p>

<p>Death or harm caused by failure to follow internal processes and procedures, particularly in relation to health and safety and safeguarding, leading to loss of life, damaging publicity, criminal convictions, fines, and loss of business.</p>	<p>Executive and Trustee oversight to ensure arrangements for health and safety and safeguarding are monitored, with assurance being provided by the Health and Safety Committee and the National Safeguarding Board.</p> <p>An incident management system is embedded and learning from incidents is cascaded.</p> <p>Continued compliance and quality inspections take place.</p> <p>An external review of Nacro's safeguarding processes is being commissioned in 2024/25, to identify any improvement opportunities and provide further assurance around Nacro's safeguarding control environment.</p>
<p>Failure to embed a leadership approach that encourages diversity, innovation, efficiency, and collective responsibility.</p> <p>High levels of staff turnover lead to increased costs, inconsistent service quality, and service delivery challenges.</p>	<p>The strategic plan has a clear focus on people and the charity's beneficiaries.</p> <p>A specific People Strategy has been developed, this underpins the Nacro Strategy.</p> <p>The performance of the People Strategy is overseen by the People Committee.</p> <p>A values-based leadership development programme is running for key managers.</p> <p>Specific initiatives that focus on wellbeing, equality, diversity, and inclusion have been implemented.</p> <p>Nacro's EDI Strategy and EDI Policy are implemented across the organisation, with the EDI committee meeting at least quarterly to ensure the EDI Strategy and Policy are being effectively delivered.</p>

<p>Business continuity is affected by a major internal or external event leading to an inability to provide services to service users.</p>	<p>Robust business continuity plans are in place, these plans were actively tested during the Coronavirus pandemic and are regularly tested on an annual basis to ensure they remain fit for purpose.</p> <p>Data and systems can be accessed securely from multiple locations.</p> <p>Specific local arrangements are in place for specific service delivery sites.</p>
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Financial narrative

Income for the year was £77.0m compared with £68.7m in 2022/23. The total comprehensive income for the year was £0.2m surplus. (2022/23 : £1.0m deficit). Income increased as a result of Nacro's successful expansion of existing services and a material review of rental income during the 2023/24 financial year. Operating expenditure increased as a result of additional service delivery costs incurred where services have expanded but also as a result of inflation driving operating costs up. A gain from a net reduction in Nacro's pension liability was also recorded, this gain enabled Nacro to report a small surplus for the year.

Turnover in Housing (social and non-social housing), increased by £7.4m to £52.6m. This increase in income is related to an expansion of current service lines and revisions to rent setting methodology. Overall, the Housing division returned a surplus of £1.1m for the year compared to a loss of £0.3m for the 2022/23 financial year.

Turnover in our Education division income increased from £13.5m to £14.0m. The Education division recorded a £1.0m loss for the year. Year-on-year financial performance within the Education division has improved. Nacro had budgeted for the Education division to operate at a loss during the 2023/24 financial year.

Turnover in our Justice division increased from £4.6m to £4.9m. Profitability reduced from £0.4m to £0.3m, inflation related cost pressures have had a negative impact on margins within this division.

Turnover in our Health division increased from £5.3m to £5.5m. Overall, the division returned a very small loss, which is a reduction from a profit of £0.1m achieved in 2022/23.

The Total Comprehensive Income for the year amounted to a surplus of £0.2m (2022/23: £1.0m deficit). The operating surplus of £0.3m (2022/23: £1.3m loss) and the deficit for the year of £0.3m (2022/23: £1.7m deficit) have benefited from a gain of £0.5m (2022/23: £0.7m gain) arising from a reduction in the valuation of Nacro's pension scheme's net liabilities.

The Balance Sheet shows net assets at £10.3m (2022/23 : £10.1m). This is represented by unrestricted funds of £10.1m (2022/23: £9.9m) and restricted funds of £0.2m (2022/23: £0.2m). The defined benefit pension liability stands at £13.1m (2022/23: £13.6m).

The full results for the year are shown in the Statement of Comprehensive Income and the Statement of Financial Position plus accompanying accounts and notes on pages 54 to 84.

Value for money statement

To comply with the Regulator of Social Housing's latest Code of Practice on value for money, as a registered provider we are required to publish our performance against a given set of key indicators which is shown below:

	Nacro 2023/24	Nacro 2022/23	Global Accounts 23 – Supported Housing Provider Metrics*	2023/24 Comment
1. Reinvestment %	6.9%	9.1%	6.3%	During the year Nacro continued to prioritise the refurbishment of housing stock to ensure properties are ready to let or in a reasonable condition for hand back to the landlord.
2. New supply delivered %	0.0%	0.0%	0.7%	Nacro did not build or acquire any new housing units during the year.
3. Gearing %	0.0%	0.0%	12.6%	Nacro does not have any loan financing facilities in place. At this point Nacro does not intend to enter into any new loan financing arrangements.
4. EBITDA MRI Interest Cover %	171.2%	-94.7%	187.5%	Nacro recorded a surplus during the year, recovering from a deficit in 2022/23. The interest expenditure values recorded in Nacro's financial statements solely relate to accounting disclosures required for Nacro's defined benefit pension scheme.

5. Headline social housing cost per unit	£11.08k	£10.34k	£9.22k	Nacro's housing service provision is primarily focused on supporting tenants who typically have high support needs who stay in their homes for shorter timeframes. This increased level of support and more frequent letting turnover does increase unit operating costs.
6. Operating Margin A) Social Housing Letting %	8.2%	-4.8%	8.4%	Nacro's social housing stock operated at a surplus, recovering from a deficit in 2022/23.
B) Overall %	0.4%	-1.9%	5.0%	Overall Nacro's Housing division operated at a surplus during the financial year, recovering from a loss made in 2022/23.
7. Return on capital employed %	1.2%	-4.7%	2.1%	Nacro operated at a surplus for the financial year, recovering from a loss in 2022/23.

*Global Accounts 23 is an annual report produced by the Regulator of Social Housing to provide a summary of the financial status of social housing providers who own or manage at least 1,000 homes. The comparative data used for Nacro was taken from the Supported Housing Provider dataset, this is because Nacro primarily provides supporting housing services.

Nacro has fewer than 1,000 owned homes so we are classed as a "small provider". Nacro provides homes with additional support for housing vulnerable people and people leaving the criminal justice system on assured shorthold tenancies or licences. Many of the above metrics are designed to enable comparisons between large social housing providers with significant loan book commitments and a high level of general needs social rented homes. Income from Nacro's social housing lettings makes up just under 10% of Nacro's total turnover. As a consequence, some benchmarking comparative figures for Nacro will not always align with other registered provider averages.

Noting the imperfections in the comparative benchmarking data, the Board is satisfied that Nacro is in compliance with requirements set out by the Regulator of Social Housing in respect of Nacro's Social Housing activities. The Board believes that overall the Charity is delivering reasonable value for money to beneficiaries. The Board recognise the Charity's overall financial performance has improved during the year and the Board is expecting the in year improvement in financial performance to continue in to the 2024/25 financial year.

The Board have encouraged a number of activities during the year that support Nacro's value for money requirements, for example

- **Governance** – We are further embedding our person-centred approach by investing more resources in service user and learner engagement initiatives. A number of engagement initiatives are detailed in our strategic plan. We fully recognise the benefits that arise from using service user and learner feedback. We use this information to inform the development of our governance arrangements, decision making approaches and service design. This helps us to continue to deliver better quality services at a reasonable price, in line with regulatory and commissioner expectations.
- **Co-production** – We actively engage with the people we support and our workforce, this enables us to capitalise on ideas and innovations to lead to improvements in the quality of the services we provided, through the re-shaping of delivery models and/or through investment in specific initiatives that are detailed in our strategic plan.
- **Actively pursuing a sustainability agenda and staff wellbeing agenda** – We have continued to embrace flexible working arrangements and realise the benefits from increased staff wellbeing and a lower carbon footprint. We have an Environmental Strategy and we have strengthened our support and wellbeing offer to staff.
- **Business development** – We have increased the range of partners we work with to enable us to deliver a wider range of services to service users and commissioners, and to help specific infrastructure developments within the organisation. During the year we have successfully expanded and retained the contracts we wanted to keep.

The Housing division and the Charity overall operated at a surplus for the year, recovering from a loss in the previous year. All metrics shown in the value for money table indicate positive results for the 2023/24 financial year. A significant amount of work has taken place during the financial year to deliver improvements in value for money across the following areas:

1. Securing better value for money from all property maintenance work that is undertaken.
2. Reviewing Nacro's rental charges and aligning these closely with updated operating cost estimates.
3. Focusing on optimising value from Nacro's housing stock through reduced voids or property handbacks.
4. Reviewing the operating cost of Nacro's service delivery models to take account of inflation related costs that cannot be recovered from commissioner approved contract uplifts.
5. Reviewing the overall operating cost of the Charity to enable service to be delivered within the income envelopes that the Charity has to work within.

Return on assets and investments and use of reserves

We are focusing on setting appropriate rent charges and maximising the occupancy of our owned housing stock. This includes disposing of properties that are no longer fit-for-purpose and consolidating office bases to optimise the potential of the premises we operate from. We are continuing to modernise our ICT infrastructure to support efficient working practices and to deliver more flexible working options to enable staff to better deliver for the needs of those using our services.

Our physical asset base across the Charity is free from debt and we are able to internally fund investment programmes from existing cash reserves. We balance the return generated from holding cash balances against making carefully selected investments in our infrastructure and strategic projects that are designed to enable the Charity to remain sustainable in the longer term. We assess each investment against our strategic aims and undertake a cost/benefit review that combines an assessment of financial returns with the potential benefits that will accrue for our service user and learner communities.

Our approach to our social and environmental responsibilities is developed in partnership with our services users, learners and colleagues.

We have established procedures in place that support the central procurement of ICT related equipment, stationery, and furniture from single supplier contracts where purchasing benefits arising from economies of scale are achieved.

Reserves and liquidity policy

There has been an increase of £0.2m in the overall value of the balance sheet during the year to 31 March 2024, the value of the balance sheet now stands at £10.3m.

Nacro's reserves policy was reset during the 2021/22 financial year to align reserve holdings more closely to operating activity. Contract income makes up around 75% of Nacro's income profile. If a contract ends then a high proportion of expenditure commitments required to deliver that contract end almost immediately. To reflect this in the reserves policy, Trustees have taken account of known and potential balance sheet liabilities arising from the pension fund deficit, known lease commitments, expected housing repair costs, an estimate of the Charity's short term working capital commitments and overhead commitments. These factors are now used to determine reserve and liquidity targets. The Finance and Audit Committee have reviewed the workings in detail and recommended that a reserves target of £9.4m is appropriate for the Charity as at 31 March 2024.

As at 31 March 2024, reserves stood at £10.3m. Reserves are therefore £0.9m in excess of the target.

The Charity holds £10.1m in general reserves and £0.2m in restricted reserves.

It is the Charity's policy to hold all reserves in liquid assets.

A breakeven budget has been set for the 2024/25 financial year. The current financial plan indicates the charity will continue to operate at breakeven and above for the 2025/26 financial year.

As at 31 March 2024, Nacro's cash and cash equivalent balances stood at £9.2m. Nacro's policy is to hold all free cash reserves in immediately available liquid assets or short term deposits.

Environmental Impact Statement

Streamlined Energy & Carbon Report (SECR)

Financial Year	1 April 2023 to 31 March 2024
Client Name	Nacro
Company No	203583
Registered Office	Walkden House, 16-17 Devonshire Square London EC2M 4SQ
Current Financial Year tCO ₂ e	2,638
Current Financial Year kWh	13,640,255
Previous Financial Year tCO ₂ e	2,911
Previous Financial Year kWh	15,300,691
Intensity Ratio (IR) used	34.25
Intensity Metric Current Financial Year	77.03
Intensity Metric Previous Financial Year	65.59
Emissions Factors Used	DEFRA 2023
Methodology Used	GHG Protocol
Emissions Scope	Scope 1 & 2
Emissions Included	Electricity, Natural Gas, Direct Mileage
Exclusion Statement	No mandatory emissions have been excluded from this report.

<p>Energy Efficiency Statement</p>	<p>Nacro provides Housing, Education, Health and Justice services to beneficiaries across England and Wales.</p> <p>Nacro leases the majority of its 1,000 residential properties. We ensure that any new properties added to our portfolio has a minimum EPC rating of D and have plans to ensure that our existing properties also reach that rating. We work with landlords, agents and developers, during the leasing and acquisition stages, to assess whether any improvements can be made (such as to the heating systems or insulation) to improve energy efficiency measures. Our core electricity contract is procured through renewable/greener sources.</p> <p>COVID-19 has shown the resilience of Nacro rising to the challenge caused by the pandemic and our ability to adapt to new ways of working. There was a significant carbon reduction in 2020/21, particularly in travel, as a result of lockdown restrictions and, whilst travel has recovered in following years, it remains significantly below pre-pandemic levels.</p> <p>This is encouraging and demonstrates that behaviour change is possible and can attract support from our staff and service users. Only by working together will Nacro achieve its sustainability objectives, and we will seek suitable engagement to make the step change needed to address the climate crisis and play our part in delivering a better future.</p> <p>Nacro achieved Green Dragon Level 3 certification in 2023/24, this involved the implementation of a pollution prevention plan, the development of an environmental aspects register and the development of a continuous improvement plan. This achievement further demonstrates Nacro's commitment to environmental and sustainability objectives.</p> <p>Nacro's Environmental Strategy sets out our environmental vision and goals, and enables action plans and various workstreams that are delivering measurable environmental improvements. We will continue to meet our legal obligations, develop sustainable and environmentally friendly services, and help stem the depletion of finite natural resources.</p>
<p>SECR Report completed by</p>	<p>(EIC) Energy Intelligence Centre Limited</p>

Thanks and acknowledgements

With thanks to our funders and partners including:

Assetz Exchange

Barrow Cadbury Trust

Berkshire NHS Foundation Trust

Birmingham City Council

Carmarthenshire County Council/ Cyngor Sir Gaerfyrddin

Capita E-Source

Cleveland Police and Crime Commissioner

Clinks

Conwy County Borough Council/ Cyngor Bwrdeistref Sirol Conwy

Delta E-Source

Department of Health

Denbighshire County Council/ Cyngor Sir Ddinbych

Dudley Council

Education and Skills Funding Agency

East Riding of Yorkshire Council & Two Ridings Community Foundation

Education & Skills Funding Agency

Essex County Council

European Social Fund

Flintshire County Council/Cyngor Sir Y Ffint

Forces in Mind Trust

The Forward Trust

Gwynedd Council/Cyngor Gwynedd GamCare

James Teather and Teather property Investments Ltd

LandAid

Lincolnshire County Council

Liverpool City Council

London Borough of Lambeth

London Borough of Wandsworth

London Borough of Westminster

Manchester City Council

Ministry of Justice

NHS England

Northamptonshire Police & Crime Commissioner
Nottingham City Council
Ormiston Families
Oxleas NHS Trust
People Plus
PACT
Peabody
Pembrokeshire County Council
Resonance – Social Investment
Rothschild Foundation
Sheffield City Council
Shelter
Stockport Alliance
The Bridge (East Midlands)
The Privy Purse Charitable Fund
Transform Foundation
Together for Mental Well-being
Wandsworth Borough Council
West Midlands Combined Authority
Welsh Assembly
Wolverhampton City Council
Wrexham County Council
YMCA Liverpool
YSS

Approved by the Trustees on 24th July 2024 and signed on their behalf by:



Nick Hardwick

Chair



Anne Frost (Jul 25, 2024 17:47 GMT+1)

Anne Frost

Vice-Chair

Independent Auditor's Report to the Members of Nacro

Opinion

We have audited the financial statements of Nacro for the year ended 31 March 2024 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cashflow and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of Nacro's affairs as at 31 March 2024 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of Nacro in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Nacro's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of Nacro and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- Nacro has not kept adequate accounting records; or
- Nacro's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 31, the trustees (who are also the directors of Nacro for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing Nacro's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate Nacro or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which Nacro operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, the Charities Act 2011, the Housing and Regeneration Act 2008, together with the Housing SORP. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to Nacro's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within Nacro for fraud. The laws and regulations we considered in this context for the UK operations were requirements imposed by the Regulator of Social Housing, Ofsted and CQC standards, building safety compliance, health and safety, taxation and employment legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of grant and contract income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, internal audit and the Finance, Risk and Audit Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence, designing audit procedures over the timing of grant and contract income and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-

detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing noncompliance and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to Nacro's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to Nacro's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Nacro and Nacro's members as a body, for our audit work, for this report, or for the opinions we have formed.



Julia Poulter
Senior Statutory Auditor

For and on behalf of
Crowe U.K. LLP
Statutory Auditor
55 Ludgate Hill
London EC4M 7JW

26 July 2024

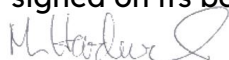
Financial statements

Nacro - Statement of Comprehensive Income for the year ended 31 March 2024

	Note	2024 £'000	2023 £'000
Turnover	3	77,032	68,659
Operating expenditure	3	(76,693)	(69,971)
Operating surplus / (deficit)		<u>339</u>	<u>(1,312)</u>
Equalisation of guaranteed minimum pension scheme (GMP)		-	-
Operating surplus / (deficit) (including GMP)		<u>339</u>	<u>(1,312)</u>
(Loss) on disposal of property, plant and equipment	4	(17)	(9)
Interest and similar receivables	6	28	-
Interest and financing costs	7	(632)	(377)
(Deficit) before tax	5	<u>(282)</u>	<u>(1,698)</u>
Taxation	10	-	-
(Deficit) for the year		<u>(282)</u>	<u>(1,698)</u>
Actuarial gain in respect of pension schemes	19	527	695
Total comprehensive income for the year		<u>245</u>	<u>(1,003)</u>

All amounts relate to continuing activities.

The financial statements were approved by the Board on 24th July 2024 and were signed on its behalf by:



Chair


Anne Frost (Jul 25, 2024 17:47 GMT+1)


Trustee

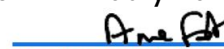
The notes on pages 59 to 84 form part of these financial statements.

Nacro - Statement of Financial Position as at 31 March 2024

	Note	2024 £'000	2023 £'000
Non Current Assets			
Intangible assets	11	2	203
Housing properties	12	6,905	7,055
Other property, plant and equipment	13	14,291	14,501
		<u>21,198</u>	<u>21,759</u>
Current Assets			
Debtors	14	8,500	7,621
Cash and cash equivalents		9,215	9,927
		<u>17,715</u>	<u>17,548</u>
Creditors: Amounts falling due within one year	15	<u>11,166</u>	<u>11,073</u>
Net current assets		<u>6,549</u>	<u>6,475</u>
Total assets less current liabilities		<u>27,747</u>	<u>28,234</u>
Creditors: Amounts falling due after more than one year	16	3,593	3,783
Provisions			
Defined benefit obligations	19	13,051	13,631
Other provisions	18	779	741
Total net assets		<u>10,324</u>	<u>10,079</u>
Capital and reserves			
Revenue reserve		10,120	9,875
Restricted reserve		204	204
Total reserves		<u>10,324</u>	<u>10,079</u>

The financial statements were approved by the Board on 24th July 2024 and were signed on its behalf by:


Chair


Anne Frost (Jul 25, 2024 17:47 GMT+1)

Trustee

The notes on pages 59 to 84 form part of these financial statements.

Nacro Company number 00203583.

Nacro - Statement of changes in reserves for the year ended 31 March 2024

	Revenue reserve £'000	Restricted reserve £'000	Total £'000
Balance as at 1 April 2023	9,875	204	10,079
Deficit for the year	(282)	-	(282)
Other comprehensive income for the year	527	-	527
Total comprehensive income for the year	245	-	245
Balance at 31 March 2024	10,120	204	10,324

	Revenue reserve £'000	Restricted reserve £'000	Total £'000
Balance as at 1 April 2022	10,878	204	11,082
Deficit for the year	(1,698)	-	(1,698)
Other comprehensive income for the year	695	-	695
Total comprehensive income for the year	(1,003)	-	(1,003)
Balance at 31 March 2023	9,875	204	10,079

The notes on pages 59 to 84 form part of these financial statements.

Nacro - Statement of Cashflow for the year ended 31 March 2024

	Note	2024 £'000	2023 £'000
Net cash generated from operating activities	20	<u>(351)</u>	<u>(1,277)</u>
Cash flows from investing activities			
Purchase of housing property components		-	-
Purchase of other property, plant and equipment		(389)	(311)
Proceeds from sale of housing properties		-	-
Interest received		<u>28</u>	<u>-</u>
Total cash utilised in investing activities		<u>(361)</u>	<u>(311)</u>
Net change in cash and cash equivalents		(712)	(1,588)
Cash and cash equivalents at beginning of year		<u>9,927</u>	<u>11,515</u>
Cash and cash equivalents at end of year		<u>9,215</u>	<u>9,927</u>

The notes on pages 59 to 84 form part of these financial statements.

Nacro – NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2024

1. Legal Status

Nacro is a private company limited by guarantee under the Companies Act 2006, incorporated in England and is a registered housing provider and a registered charity. The address of its registered office is as disclosed on page 11 of the annual report.

2. Accounting policies

The principal accounting policies are recognised below. They have been applied consistently throughout the year and to the preceding year.

Basis of accounting

The financial statements have been prepared under the historical cost convention on an accruals basis, modified to include certain items at fair value, in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing. Nacro is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

The financial statements are presented in sterling (£).

Going Concern

Nacro's business activities, its current financial position and factors likely to affect its future development are set out within the Annual Report.

The Trustees have a reasonable expectation that Nacro has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Turnover

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids), grants from central Government departments and local authorities and charitable fees and donations.

Rental income is recognised on an accruals basis and recognised when the property is available for let, net of voids. Service charge income is recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met.

Grant income is recognised in the financial statements when the conditions for receipt of the grants have been fulfilled and Nacro becomes entitled to payment. Where a grant is received relating to a future accounting period, the Statement of Comprehensive Income shows the gross amount receivable reduced by the movement in the amount deferred to future accounting periods. Deferred grant income at the year end is included in creditors.

Charitable fees and donations are credited as income in the year in which they were receivable.

Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model.

Basic financial instruments are recognised at amortised historical cost.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Where deferral of payment terms has been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Employee Benefits

Defined contribution scheme

Nacro participates in a defined contribution stakeholder scheme. Employer contributions payable to the scheme are charged to the Statement of Comprehensive Income during the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Defined benefit scheme

The Nacro Staff Benefits Plan closed to new entrants from 1 December 1998 and for future accruals from 31 March 2006. The net interest cost on the net defined benefit liability is charged to revenue and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained triennially and are updated at each Statement of Financial Position date.

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs and interest charges incurred during the development period.

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight line basis, over their useful economic lives. Depreciation is charged in the year of acquisition. Freehold land is not depreciated.

Major components of housing properties, which have significantly different patterns of consumption of economic benefits, are treated as separate assets and depreciated over their expected useful economic lives at the following annual rates:

Structure	80 years
Roofs	50 years
Windows	25 years
Kitchens	20 years
Bathrooms	30 years
Boilers	15 years
Heating systems	30 years
Electrics	30 years

Properties held on long leases are depreciated over their estimated useful economic lives or the lease duration if shorter.

Improvements

Where there are improvements to housing properties that are expected to provide incremental future benefits, these are recognised and added to the carrying amount of the property. Any works to housing properties which neither replace a component nor result in an incremental future benefit are charged as expenditure in the Statement of Comprehensive Income.

Leaseholders

Where the rights and obligations for improving a housing property reside with the leaseholder or tenant, any works to improve such properties incurred by Nacro is recharged to the leaseholder and recognised in the Statement of Comprehensive Income along with the corresponding income from the leaseholder or tenant.

Donation or acquisition of land or other asset at below market value

Where a donation of land and/or other assets is received or land and/or other assets are acquired at below market value from a government source, this is accounted for as a non-monetary government grant. The difference between the fair value of the asset donated or acquired and the consideration paid for the asset is recognised as a government grant and included in the Statement of Financial Position as a liability.

Where Nacro receives a donation of land and/or other assets or acquires such assets below their market value from a third party that does not meet the definition of a government source as set out in the Housing SORP, then the transaction is accounted for as a non-exchange transaction. The assets acquired are recognised in the Statement of Financial Position at fair value. The income, equivalent to the difference between any amounts paid or payable for the assets and the fair value of the assets, is recognised in the Statement of Comprehensive Income as a donation when future performance-related conditions are met.

Assets held for sale

Assets held for sale consists of properties or other assets that are surplus to the requirement of the business and not held for use in the business.

Property assets held for sale are subject to a charity valuation by a qualified and experienced external surveyor and held at this value, any change in valuation is recognised in the Statement of Comprehensive Income.

Social Housing Grant and other Government grants

Government grants include grants receivable from government agencies such as Homes England, local authorities, devolved government agencies, health authorities and the European Commission. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised. Where a grant is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with Homes England. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the Statement of Financial Position in creditors.

Other Grants

Grants received from non-government sources are recognised as revenue using the performance model.

Recycling of grants

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the Statement of Financial Position related to this asset is recognised as revenue in the Statement of Comprehensive Income.

Impairment assessment of a cash-generating unit

Where there are indicators of impairment of tangible assets; factors taken into consideration in reaching such a decision include the economic viability and expected future performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Impairment of social housing properties

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in the Statement of Comprehensive Income.

Other property, plant and equipment

Other property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Depreciation is charged on all non-housing property, plant and equipment, other than investment properties and freehold land so as to write down the net book value to their residual value, on a straight line basis, over their useful economic lives, as follows:

Other Freehold premises	34 – 60 years
Freehold premises components	4 – 30 years
Leasehold land and buildings	5 years
Furniture, fixtures & fittings	4 years
Other equipment	4 years
Vehicles	4 – 10 years
Computer hardware	2 – 4 years

Other freehold premises are treated as housing properties which have different patterns of consumption of economic benefit and treated as separate assets. The same asset lives are used as for housing properties.

Intangible assets

Intangible assets are stated at historic cost or valuation, less accumulated amortisation recognised and any provision for impairment. Amortisation is charged to operating expenditure in the Statement of Comprehensive Income. Amortisation is provided on all intangible assets at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life, as follows:

Computer software	2 – 4 years
-------------------	-------------

Leases

An assessment is made at inception of an agreement that transfers the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Payments under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Provisions for liabilities

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event; it is probable the obligation will have to be settled; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the Statement of Comprehensive Income in the period it arises.

Financial provision is made for the cost of annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

Restricted reserves

Where reserves are subject to an external restriction they are separately recognised within reserves as a restricted reserve. Revenue and expenditure are included in the Statement of Comprehensive Income and a transfer is made from the general reserve to the restricted reserve.

Termination Benefits

Redundancy costs (termination benefits) are recognised as an immediate cost and charged to the Statement of Comprehensive Income on a demonstrable commitment to termination, with provision for future redundancy costs measured at a best estimate of the expenditure that would be required to settle the obligation at the reporting date.

Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the Nacro circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant management judgements

The following are management judgements in applying the accounting policies of Nacro that have the most significant effect on the amounts recognised in the financial statements.

Impairment of social housing properties

The Trustees have to make an assessment as to whether an indicator of impairment in value of social housing properties exists. In making the judgement, management consider the detailed criteria set out in the SORP. The conclusion of the Trustees is that there are no indicators of impairment.

Estimation uncertainty

Estimates and assumptions are made concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Provisions

Provision is made for dilapidations. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

Recoverability of rent arrears

Nacro makes an estimate of the recoverable value of rent arrears. When assessing impairment of rent arrears, management consider factors including the ageing profile of the rental debtors and historical experience.

Defined benefit pension scheme

Nacro has obligations to pay pension benefits to certain employees and former employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Based on advice received from Actuaries, management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

Useful lives of depreciable assets

Management reviews its estimates of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components.

3A. Particulars of turnover, operating costs and operating surplus.

		2024		
		Turnover	Operating costs	Operating surplus/ (deficit)
		£'000	£'000	£'000
Social housing activity				
Social housing lettings (Note 3B)		7,215	(6,623)	592
Other social housing activities				
Charges for support services		13,054	(11,726)	1,328
Sub-total		20,269	(18,349)	1,920
Activities other than social housing				
Non-social housing and related support services		32,337	(33,191)	(854)
Education centre provision		13,958	(14,995)	(1,037)
Justice services		4,931	(4,610)	321
Health services		5,537	(5,548)	(11)
Sub-total		56,763	(58,344)	(1,581)
Total		77,032	(76,693)	339
		2023		
		Turnover	Operating costs	Operating surplus/ (deficit)
		£'000	£'000	£'000
Social housing activity				
Social housing lettings (Note 3B)		6,385	(6,689)	(304)
Other social housing activities				
Charges for support services		12,075	(11,030)	1,045
Sub-total		18,460	(17,719)	741
Activities other than social housing				
Non-social housing and related support services		26,754	(27,822)	(1,068)
Education centre provision		13,539	(15,097)	(1,558)
Justice services		4,640	(4,194)	446
Health services		5,266	(5,139)	127
Sub-total		50,199	(52,252)	(2,053)
Total		68,659	(69,971)	(1,312)

3B. Social Housing Lettings

Income	General Needs Housing	Supported Housing	2024 Total	2023 Total
	£'000	£'000	£'000	£'000
Rents receivable net of identifiable service charges	830	1,547	2,377	2,320
Service charge income	1,087	3,565	4,652	3,869
Amortised government grants	33	153	186	196
Turnover from social housing lettings	1,950	5,265	7,215	6,385
Operating expenditure				
Management	(716)	(1,758)	(2,474)	(2,494)
Service charge costs	(217)	(1,026)	(1,243)	(1,172)
Lease expenditure	(556)	(950)	(1,506)	(1,464)
Property costs	(44)	(236)	(280)	(252)
Routine maintenance	(140)	(650)	(790)	(1,014)
Bad debts	(42)	(138)	(180)	(136)
Depreciation of housing properties	(34)	(116)	(150)	(157)
Expenditure from social housing lettings	(1,749)	(4,874)	(6,623)	(6,689)
Operating surplus/(deficit) social housing lettings	201	391	592	(304)
 Total void losses including service charges	 164	 849	 1,013	 834

4. (Loss) on disposal of property and equipment

	2024	2023
	£'000	£'000
(Loss) on disposal of property and equipment	(17)	(9)
	<u>(17)</u>	<u>(9)</u>

5. Deficit for the year before taxation

Deficit for the year before taxation is stated after charging/ (crediting):

	2024	2023
	£'000	£'000
Depreciation of housing properties	150	141
Depreciation of other property, plant and equipment	582	613
Amortisation of intangible assets	201	237
Amortisation of Government grants	(190)	(199)
Loss on disposal of fixed assets	17	9
Audit fees:		
- statutory audit	59	51
- audit-related assurance services	97	91
Operating lease rentals	13,237	12,317
Education Tuition Fund	(199)	(68)

6. Interest receivable

	2024	2023
	£'000	
Bank interest receivable	28	-
	<u>28</u>	<u>-</u>

7. Interest and financing costs

	2024	2023
	£'000	£'000
Net interest payable on defined benefit pension liability	(632)	(377)
	<u>(632)</u>	<u>(377)</u>

8. Staff costs

	2024	2023
	£'000	£'000
Wages and salaries	23,894	22,447
Social security costs	2,174	2,121
Other pension costs	692	662
Redundancy Costs	204	150
Agency Costs	3,365	3,373
	<u>30,329</u>	<u>28,753</u>

The number of staff who received emoluments, including pension contribution, in excess of £60,000 is as shown below:

Salary Band	2024	2023
60,000 – 69,999	11	12
70,000 – 79,999	7	7
80,000 – 89,999	2	2
90,000 – 99,999	2	0
100,000 – 109,999	1	0
120,000 – 129,999	1	1
170,000 – 179,999	0	1
180,000 – 189,999	1	0

The average full time equivalent number of employees over the 12-month period was:

	2024	2023
Service delivery	676	655
Management and administration	117	100
	<u>793</u>	<u>755</u>

Full Time equivalents are calculated on the basis of a 40-hour standard week.

9. Directors' remuneration and transactions

	2024	2023
	£'000	£'000
Directors who are executive staff members		
Wages and salaries (including social security costs)	791	733
Other pension costs	21	19
	<u>812</u>	<u>752</u>

Directors are defined as the members of the Board, the Chief Executive and members of the Executive Leadership Team.

The number of directors in the defined contribution scheme as at the end of March 2024 was 7 (2023:7).

Remuneration of the highest paid director

	2024	2023
	£'000	£'000
Emoluments	176	172
Pension contributions	5	5

The Chief Executive is an ordinary member of the pension scheme. No enhanced or special terms apply.

No Board member or person related or connected to them received any remuneration from Nacro during the year. During the year expenses relating to travel were reimbursed or paid on behalf of Board members amounting to £5,142 for 14 members (2023: £4,554 to 10 members).

10. Taxation status

Nacro has charitable status and its sources of income are exempt from income and corporation tax provided that they are applied for charitable purposes.

11. Intangible fixed assets

	Computer software
Cost	£'000
At 1 April 2023	727
Additions	-
Disposals	(21)
As at 31 March 2024	706
Amortisation	
At 1 April 2023	(524)
Charge for the year	(201)
Eliminated on disposal	21
As at 31 March 2024	(704)
Net book value	
As at 31 March 2024	2
As at 31 March 2023	203

12. Housing properties

	General Needs	Supported Housing	Total
Cost	£'000	£'000	£'000
At 1 April 2023	263	11,134	11,397
Additions	-	-	-
Disposals	-	-	-
At 31 March 2024	263	11,134	11,397
Depreciation			
At 1 April 2023	(65)	(4,277)	(4,342)
Charge for the year	(5)	(145)	(150)
Eliminated on disposals	-	-	-
At 31 March 2024	(70)	(4,422)	(4,492)
Net book value			
As at 31 March 2024	193	6,712	6,905
As at 31 March 2023	198	6,857	7,055

13. Other property, plant and equipment

	Freehold	Long/ short leasehold	Equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2023	16,796	706	906	178	18,586
Additions	310	79	-	-	389
Disposals	-	(69)	(479)	(167)	(715)
As at 31 March 2024	17,106	716	427	11	18,260
Depreciation					
At 1 April 2023	(2,827)	(331)	(749)	(178)	(4,085)
Charge for the year	(400)	(104)	(78)	-	(582)
Eliminated on disposal	-	67	464	167	698
As at 31 March 2024	(3,227)	(368)	(363)	(11)	(3,969)
Net book value					
As at 31 March 2024	13,879	348	64	-	14,291
As at 31 March 2023	13,969	375	157	-	14,501

14. Debtors

	2024	2023
Amounts falling due within one year:	£'000	£'000
Rent arrears	2,970	2,390
Provision for bad debts	(791)	(450)
Net Rent Arrears	2,179	1,940
Trade debtors	3,164	1,518
Other debtors	172	190
Prepayments and accrued income	2,985	3,973
	8,500	7,621

15. Creditors

	2024	2023
Amounts falling due within one year:	£'000	£'000
Trade creditors	1,757	2,714
Other taxation and social security	1,047	1,026
Other creditors	160	171
Pension creditors	32	31
Deferred income, grants and grants repayable	2,198	2,831
Accruals	5,782	4,110
SHG under 1 year deferred grant (note 17)	190	190
	11,166	11,073

16. Creditors

	2024	2023
Amounts falling due after more than one year:	£'000	£'000
Financial assistance - deferred grants (note 17)	3,587	3,777
Financial assistance - recycled capital grant fund	6	6
	3,593	3,783

17. Financial assistance and other government grants (Deferred income grant)

Deferred income - government grants

	2024	2023
	£'000	£'000
As at 1 April 2023	3,967	4,166
Amortisation to Statement of Comprehensive Income	(190)	(199)
Grant addition	-	-
As at 31 March 2024	3,777	3,967
Amounts to be released within one year	190	190
Amounts due to be released in more than one year	3,587	3,777
	3,777	3,967

The total value of grants received by Nacro is £8,795,258 (2023: £8,795,258).

Recycled Capital Grant Fund

	2024	2023
	£'000	£'000
As at 1 April 2023	6	6
Recycling of grant	-	-
As at 31 March 2024	6	6

The recycled capital grant is in respect of 2 housing property disposals in 2017/18 and is shown in note 16.

18. Provisions

	Dilapidations	Total
	£'000	£'000
As at 1 April 2023	741	741
Released	(193)	(193)
Increase	231	231
As at 31 March 2024	779	779

19. Retirement benefit schemes

Defined contribution scheme

Nacro operates defined contribution retirement benefit schemes for qualifying employees. The total expense charged to the Statement of Comprehensive Income in the period ended 31 March 2024 was £691,644 (2023: £662,384).

Defined benefit scheme

Characteristics and risks associated with the Plan

Nacro operates the Nacro Staff Benefits Plan (“the Plan”). The Plan provides pensions in retirement and death benefits to members. Pension benefits are linked to a member’s final salary at retirement and their length of service. Since 31 March 2006 the Plan has been closed to future accrual.

The Plan is a registered scheme under UK legislation and was contracted out of the State Second Pension until its closure.

The Plan is subject to the scheme funding requirements outlined in UK legislation.

The Plan was established from 31 May 1986 under trust and is governed by the Plan’s third definitive deed and rules dated 23 May 2011. The Pension Trustees are responsible for the operation and the governance of the Plan, including making decisions regarding the Plan’s funding and investment strategy in conjunction with the Company.

Under clause 21 of the Plan’s third definitive deed and rules dated 23 May 2011, the Company does not have an unconditional right to a refund of any surplus in the Plan if the Plan winds up. The Plan, however, is in deficit and this deficit exceeds the value of future contributions due under the current recovery plan, there is no additional liability recognised on the balance sheet as a result of the Plan’s recovery plan.

The Plan exposes the Company to actuarial risks such as; market (investment) risk, interest rate risk, inflation risk, currency risk and longevity risk.

The Plan does not expose the Company to any unusual Plan-specific or Company-specific risks.

No allowance has been made for any curtailment or settlement during the accounting period.

Amount, timing and uncertainty of future cashflows.

The Pension Trustees hold a proportion of the Plan's assets in gilts and index-linked gilts to provide some degree of matching with the Plan's liabilities (with the latter providing a degree of price inflation matching with the Plan's liabilities).

The Plan also holds annuity contracts in respect of the majority of pensions in payment which provide protection against future changes in respect of post retirement market risk, inflation risk and longevity risk in respect of these members.

The Plan's investment strategy is to invest broadly 80% of non-annuity investments in return seeking assets and the remaining 20% in matching assets (mainly government bonds). This strategy reflects the Plan's liability profile and the Pension Trustees' and Company's attitude to risk.

The Plan's non-annuity investments include interest rate and inflation hedging.

The last scheme funding valuation of the Plan was as at 31 March 2023 ("the 2023 valuation") and revealed a funding deficit of £14.0m. Under the current schedule of contributions, the Company has agreed to pay deficit reduction contributions. These deficit reduction contributions are set out in the payment schedule agreed as part of each tri-annual valuation. The expenses of running the Plan, as well as statutory levies, are to be met directly by the Company.

The Company has paid £685,000 in deficit reduction contributions in respect of the current accounting period.

The liabilities of the Plan are based on the current value of expected benefit payment cash-flows to members of the Plan over the next 50 years. The average duration of the liabilities is approximately 14 years.

The value of the liabilities at the reporting date have been estimated by updating the results of the 2023 valuation to allow for the passage of time, benefits paid out of the Plan and changes in actuarial assumptions over the period from 31 March 2023 to 31 March 2024. Allowance has also been made for actual inflation experience and known transfers out and trivial commutations over the period. Such an approach is common for the purposes of accounting disclosures. It is not expected that these projections will be materially different from a summation of individual calculations at the accounting date, although there may be some discrepancy between the actual liabilities for the Plan at the accounting date and those included in the disclosures.

Principal Actuarial Assumptions

A full actuarial valuation of the Plan was carried out as at 31 March 2023 and has been updated to 31 March 2024 by a qualified actuary. The major assumptions used by the actuary were (in nominal terms) as follows

	2024	2023
Discount rate	4.85%	4.75%
Inflation assumption (RPI)	3.30%	3.35%
Inflation assumption (CPI)	2.90%	2.85%
Future revaluation of pensions in deferment	2.90%	2.85%
Pension increases in payment (liabilities):		
CPI max 5%	2.85%	2.80%
CPI max 3%	2.35%	2.40%
CPI max 2.5%	2.10%	2.15%
Pension increases in payment (insured asset):		
RPI max 5%	3.20%	3.25%
RPI max 3%	2.50%	2.60%
RPI max 2.5%	2.15%	2.30%

Assumed life expectancies on retirement at age 65

	2024	2023
Retiring today – Females	22.8	23.3
Retiring today – Males	20.3	20.9
Retiring in 20 years: Females	23.9	24.4
Retiring in 20 years: Males	21.3	21.8

The assets in the plan were

	2024	2023
	£'000	£'000
Equity, property and other	25,679	23,833
Gilts and other government debt	(404)	1,590
Annuities	6,166	6,839
Cash and net current assets	600	494
Fair value of Plan assets	32,041	32,756

The actual return on assets over the period was: 1,445 (11,229)

Present value of funded obligations	(45,092)	(46,387)
Fair value of Plan assets	32,041	32,756
Deficit in funded scheme	(13,051)	(13,631)

Present value of unfunded obligations	-	-
Unrecognised actuarial gains / (losses)	-	-
(Irrecoverable surplus)	-	-
Net liability in Statement of Financial Position	(13,051)	(13,631)

Reconciliation of opening and closing balances of the present value of the deferred benefit obligation

	2024 £'000	2023 £'000
Benefit obligation at beginning of year	46,387	60,778
Plan administration cost	-	-
Interest cost	2,137	1,573
Contributions by plan participants	-	-
Actuarial (gains) / losses	(587)	(13,120)
Benefits paid	(2,845)	(2,844)
Past service cost	-	-
Benefit obligation at end of year	45,092	46,387

Reconciliation of opening and closing balances of the fair value of Plan assets

	2024 £'000	2023 £'000
Fair value of Plan assets at beginning of year	32,756	46,279
Interest income on Plan assets	1,505	1,196
Return on assets, excluding interest income	(60)	(12,425)
Contributions by employer	685	550
Contributions by Plan participants	-	-
Benefits paid	(2,845)	(2,844)
Plan administration cost	-	-
Fair value of Plan assets at end of year	32,041	32,756

The amounts recognised in Statement of Comprehensive Income

	2024 £'000	2023 £'000
Service cost - including current and past service costs and Settlements		
Plan administrative costs	-	-
Net interest on the net defined liability	632	377
	632	377

Remeasurements of the net defined benefit liability (asset) shown in the Statement of Comprehensive Income

	2024	2024
	£'000	£'000
Actuarial (gains) / losses on the liabilities	(587)	(13,120)
Return on assets, excluding interest income	60	12,425
Total remeasurement of the net defined liability (asset)	(527)	(695)
Estimation of next period's profit or loss	2025	
	£'000	
Service cost - including current and past service costs and settlements	-	
Plan administrative costs	-	
Net interest on the net defined liability	616	
Total expense	616	

20. Cashflow from operating activities

	2024	2023
	£'000	£'000
(Deficit) for the year	(282)	(1,698)
Adjustment for:		
Depreciation of housing properties	150	141
Depreciation of other property, plant and equipment	582	613
Amortisation of intangible assets	201	237
Loss on disposal of assets	17	9
(Increase) in debtors	(879)	(762)
Increase in creditors	93	467
Increase in provisions	38	57
Interest received	(28)	-
Pension costs less contributions payable	(685)	(550)
Accrued pension payment	-	31
Amortisation of SHG	(190)	(199)
Interest payable	632	377
Net cash used in operating activities	(351)	(1,277)

21. Capital commitments

Capital commitments at the 2023/24 year-end were £103,864 (2023: nil).

22. Leasing Commitments

Total future minimum lease payments under non-cancellable operating leases are as follows.

	2024	2023
	£'000	£'000
Leases expiring:-		
- within one year	4,198	4,088
- between one and five years	3,336	3,159
- after five years	1,723	2,186
	<u>9,257</u>	<u>9,433</u>

23. Financial assets and liabilities

Financial assets

	2024	2023
	£'000	£'000
Financial assets measured at undiscounted amount receivable	5,515	3,648
Bank deposits	9,215	9,927
Total	<u>14,730</u>	<u>13,575</u>

Financial Instruments on which no interest is earned include short-term debtors. No investments were held by the company during the year. No interest or gains are recognised on financial assets recognised at undiscounted amounts receivable.

Financial liabilities

	2024	2023
	£'000	£'000
Financial liabilities measured at undiscounted amount payable	1,949	2,916

The company's financial liabilities are sterling denominated. There is no exposure to interest rate risk.

24. Accommodation in management and development

	2024	2023
Owned units	225	225
Units under management	1,995	2,000
Total units	2,220	2,225

Within the total units, 598 units met the regulated definition of social housing (2023 - 608) and 1,622 units were outside the regulated definition (2023 - 1,617).